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The President's Daily Brief

October 25, 1975

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FOR THE PRESIDENT ONLY

October 25, 1975

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LEBANON

Heavy fighting erupted in Beirut again last night, despite reinforcement of the overburdened security forces by the army and the imposition of a 24-hour curfew in the hardest hit areas of the capital.

Army units have been given new policing duties at strategic points in and around the city in an effort to alleviate the security forces. The decision to use army units on a limited scale reportedly was worked out late Thursday by Prime Minister Karami and Palestinian leaders and was probably coupled with an agreement to supplement security forces with 700 Palestinian military police.

In a speech to the Lebanese parliament yesterday, Karami nevertheless reiterated his opposition to using the Christian-officered army in a broad security role. This has brought him heavy criticism from right-wing Christians. Employing the army on a larger scale would inflame sectarian feelings and would be viewed by both leftists and the less radical Palestinians as an effort to shore up the Christians.

The decision to give the army added security responsibilities may be the result of Syrian President Asad's meeting with PLO leader Yasir Arafat and Saiqa leader Zuhayr Muhsin earlier this week.

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Movement on the political front has been slow and has been impeded by controversy over the proper forum for resolving the crisis. The political subcommittee of the national dialogue committee resumed

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its deliberations yesterday on an agenda worked out earlier in the week. The agenda includes consideration of such controversial issues as: readjustment of religious representation in government institutions, restructuring of the powers and prerogatives of the three branches of government, and reorganization of the army.

The mere acceptance of the agenda is a setback for Phalangist leader Pierre Jumayyil, who opposes consideration of a reform program before security is restored and such issues as the status of Palestinians are resolved. Neither Jumayyil nor leftist leader Kamal Jumblatt, his major antagonist, were present for the debate on the agenda or yesterday's session; both were represented by stand-ins. According to one press account, the subcommittee has authorized the preparation of a study on sectarianism in Lebanon.

The subcommittee's work has been further hampered by a growing public debate over the utility of the "national dialogue" concept and its legality in the face of parliament's constitutional authority.

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ANGOLA

The fighting has intensified significantly during the past several days, and the Popular Movement for the Liberation of Angola is now facing pressure on two fronts from the National Front for the Liberation of Angola.

In northern Angola, recent fighting north of Luanda has centered on the town of Quifangondo, the site of the capital's vital water pumping station. The Front appears to be stalled on the outskirts of the town and is waiting to be supplied with ammunition. Popular Movement forces in Luanda reportedly are nervous about the Front's offensive, and their morale is low.

In the southern part of the country, the Popular Movement's hold on Sa da Bandeira is threatened by a large National Front force that has driven to within 18 miles of the city.

Organization of African Unity chairman Idi Amin has called for an emergency meeting in Kampala to discuss the Angolan situation. He is making a last-ditch effort on behalf of the OAU to reconcile the leaders of the three warring liberation groups.

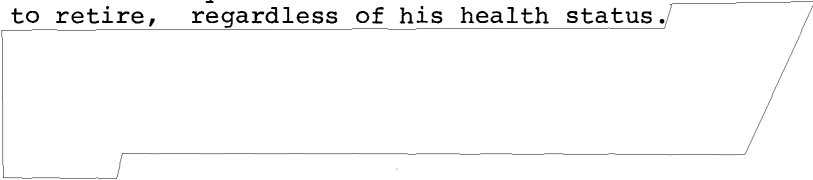
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SPAIN

Moves for the transfer of power from Franco to Prince Juan Carlos stalled yesterday, even though the General reportedly suffered another heart attack.

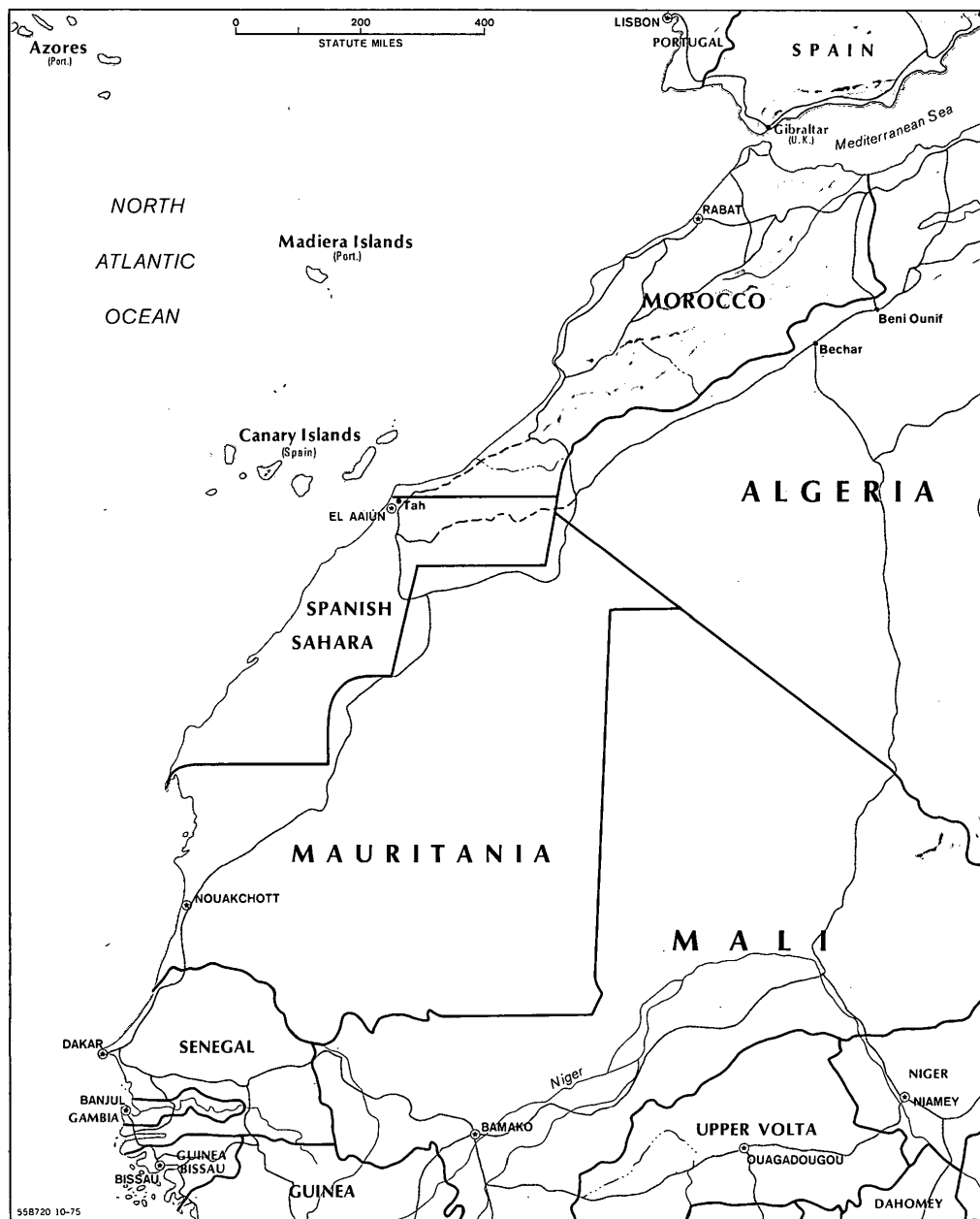
It is not clear whether the delay is a result of opposition from right-wing elements, or a general reluctance to force Franco's retirement under circumstances which may return to haunt those who will be working for the development of a more open political system in the post-Franco period.

A key political figure claimed on Thursday that practically all major military and political figures had reached a consensus that Franco should step down. A senior military officer has told one of our embassy officers that Franco now would have to retire, regardless of his health status.



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Madrid remains calm, but armed guards have been increased at several locations, including the Portuguese and US embassies.



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NOTES

There are new signs that Morocco will postpone its planned mass march into Spanish Sahara.

Moroccan officials said yesterday that the march, expected to begin early next week, may be delayed several days. Moroccan spokesmen have declared, however, that nothing will stop the march. King Hassan is probably allowing time for the talks now under way with Spain to produce results. He may recognize that Spanish officials are reluctant to make any policy initiative until Franco dies or power is transferred to Juan Carlos. Hassan also is awaiting the arrival on Sunday of UN Secretary General Waldheim.

* * *

With negotiations on the status of the US bases scheduled to begin next week, Turkish Prime Minister Demirel is still trying to reach a consensus within his coalition that would allow him to act on both the base issue and the Cyprus problem.

He is having difficulty, however, with the most troublesome coalition partner, Necmettin Erbakan, who appears determined to maintain his obstructionist position within the government despite his party's substantial losses in the recent midterm senatorial election. The government probably will survive, but the Prime Minister's ability to act decisively will be hampered by the continued bickering. The military, meanwhile, wants to consolidate gains made last summer on Cyprus, restore relations with the US, and ease Turkey's sense of international isolation. Military leaders generally agree that the government's continuing inaction is exacerbating these sensitive problems. They may already have put pressure on the politicians--Demirel in particular--to reach some solution on the Cyprus issue and to move to normalize relations with the US.

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The Vietnamese are rounding up some US ground tactical communications equipment for delivery to the Soviets and Chinese, according to intercepted messages.

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EGYPT

President Sadat's isolation in the Arab world as a result of the second Sinai agreement will be critical primarily as it affects his domestic position. He will look to the US for insurance against an erosion of his support at home.

Despite criticism from Egyptian leftists, who instinctively oppose Sadat's policies, especially the disengagement agreement, the majority of Egyptians currently support the agreement and back Sadat.

--They had grown restive over the continuing no-war, no-peace situation and are pleased that demonstrable progress has been made toward a return of more Egyptian territory.

--They anticipate that the respite from preparations for war will give the government time to concentrate on revitalizing the economy and will encourage foreign investors who have been deterred by the possibility of war.

--They rally around Sadat precisely because the other Arabs are so vehemently criticizing him and the agreement.

Indeed, the criticism by outsiders is probably Sadat's strongest domestic prop at the moment. Egyptians think of themselves as better than other Arabs and do not like being told by Arab brethren how to run Egyptian affairs.

The Egyptians believe, with a touch of self-pity, that, while they have borne the brunt of four wars in the service of other Arabs, the others have received arms and oil money in abundance. As a result, Egyptians deeply resent that they or their president should be tagged an Arab traitor.

Dangers for Sadat nonetheless lurk amid the very things that now work to his advantage. Egyptian satisfaction with the progress made in negotiations will wane as time passes, and is likely to change to impatience as months pass and Sadat does not press very soon for more negotiations.

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If the next few years do not bring either negotiated territorial returns or war, discontent could become a problem within the military. Senior military officers are generally satisfied with the disengagement agreement because they recognize that Egypt probably could not have succeeded in taking by force the territory it has retrieved through negotiation. Many younger officers, however, seem to have an exaggerated notion of Egypt's military capabilities and apparently believe that Cairo might have achieved more militarily.

Discontent in the armed forces could be magnified if the virtual termination of Soviet military deliveries is not compensated by a substantial influx of equipment from other sources.

Economic Expectations

Sadat faces a difficult time economically. While the disengagement agreement is welcomed for the economic benefits that are expected to flow from it, trouble will arise if the benefits are not soon evident to the man in the street, who is weary of food lines, shortages of essential commodities, and the high prices of those he can obtain.

The government has raised expectations to a high pitch, and it will be hard pressed to fulfill them. Economic grievances will provide leftist agitators a fertile ground for fomenting political protest.

Sadat faces another internal danger because of the position in which the disengagement agreement has placed him with other Arabs. The same feeling of superiority that now brings applause when Sadat damns another Arab country might ultimately cause the Egyptians to rue the day when the disengagement, and Sadat, has so turned the other Arabs against Egypt that it is no longer able to exercise that superiority.

This sentiment is already apparent among leftists in Egypt, and Sadat could become much more vulnerable to charges of destroying a legacy of Arab leadership that Nasir devoted his life to building. Even those Egyptians who support Sadat might be made to believe, through an emotional evocation of the hero Nasir, that things were somehow better before Sadat came along.

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*FOR THE PRESIDENT ONLY*Economic Aims

Since late 1973, Sadat has been trying to overcome six years of zero growth and declining living standards. He aims to overhaul Egypt's highly inefficient economic structure, to entice foreign investment, and reorient the Egyptian economy so that it can begin to compete in Western markets.

Sadat has rebuilt much of the war-damaged canal zone and stabilized the Egyptian standard of living. These successes have been financed by the rich Arab states, whose assistance jumped from \$650 million in 1973 to \$2 billion in 1975.

This money allowed the value of Egyptian imports to rise 90 percent in 1974 and some 60 percent this year. As a result, the current-account deficit for 1975 will likely reach \$3 billion, one of the largest among the developing countries.

Sadat must, however, maintain economic momentum. A continuation of the 5-percent growth rate will require financial assistance equal to 1975 and for at least the next few years. Egypt will earn foreign exchange from the Suez Canal and from Sinai oil, but the increases will just offset expected hikes in imports.

Sadat so far has been unable to line up the financial support needed. The rich Arabs have kept him on a hand-to-mouth basis. This has deterred Egyptian long-term planning and has led to excessive short-term commercial borrowing, designed in part to force Arab donors to rescue Cairo from its financial straits. This financial brinksmanship has in turn reinforced Arab distrust of Egyptian administrators and has further delayed long-term aid.

Unable to secure a satisfactory financial commitment from other Arabs, the Sadat government has sought since last year to extend the moratorium on the military debt to the USSR. Moscow so far has refused; Egypt is in arrears, and shipments of Soviet military goods have all but stopped.

Failure to reach a financial accommodation with the USSR would be costly to Egypt in the absence of further Western or Arab assistance. If

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Soviet repayment terms are to be met, Cairo must divert to the USSR \$300 million annually in goods now being shipped to the West. Continued refusal to pay Moscow may threaten Egyptian exports to the USSR. Because Egypt would have a hard time marketing these goods elsewhere, an additional hard-currency outlay of perhaps \$300 million would be required to replace Soviet with Western goods.

Looking to the US

Sadat will look to the US for the economic and military aid he believes will be needed to shore up his position against possible domestic threats.

On the economic side, he probably will seek a multi-year economic aid commitment large enough to serve as an example for other donors. He will also want sufficient technical and administrative support, through either a bilateral agreement or a consortium arrangement, to inspire substantial long-term Arab aid and investment.

On the military side, he will ask the US to lift its embargo on arms shipments to Egypt. The fact that the US delivers arms to Israel does not in itself bother Sadat; he recognizes this as a necessary ingredient in Washington's ability to press Israel diplomatically.

What does bother him is that the US does not deliver arms to Egypt. This uneven treatment, this lower priority accorded Egypt, is in his mind almost the only thing still wrong in the US-Egypt-Israel triangle.

He does not expect parity, and he does not want to be dependent again on a single source of arms. He does hope for some US military equipment, both as a symbol that Egypt is as important to the US as is Israel, and as a means of righting what he sees as the heavy imbalance caused by Israel's rearmament when Egypt's prime source of arms is all but cut off.

Sadat needs US arms for reasons more important than simply his frame of mind. He has frequently been subject to criticism from the Egyptian military for endangering Egypt's supply of Soviet equipment. Unless he can obtain a relatively steady flow of arms, preferably from the US, he is likely to come under attack for seeming to condone US efforts to reinforce Israel's military superiority while allowing Egypt to lapse still deeper into military inferiority.

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